

# Senate Study Bill 1116 - Introduced

SENATE/HOUSE FILE \_\_\_\_\_  
BY DEPARTMENT OF ECONOMIC  
DEVELOPMENT

## A BILL FOR

1 An Act relating to the administration of the enterprise zones  
2 program by the department of economic development.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 15.119, subsection 2, paragraph d, Code  
2 2011, is amended to read as follows:

3 *d.* The enterprise zones program administered pursuant  
4 to sections 15E.191 through 15E.197, but excluding section  
5 15E.193B. The aggregate tax credit limit provided in this  
6 section shall not apply to the incentives provided to eligible  
7 housing businesses under section 15E.193B.

8 Sec. 2. Section 15A.1, subsection 5, paragraph c, Code 2011,  
9 is amended to read as follows:

10 *c.* The area is located in a ~~city or county that meets the~~  
11 ~~distress criteria provided under the enterprise zone program in~~  
12 ~~section 15E.194, subsection 1 or 2~~ county or city portion that  
13 is included on the list of enterprise zones certified pursuant  
14 to section 15E.193.

15 Sec. 3. Section 15E.192, Code 2011, is amended by striking  
16 the section and inserting in lieu thereof the following:

17 **15E.192 Definitions.**

18 For purposes of this division, unless the context otherwise  
19 requires:

20 1. "*Board*" means the Iowa economic development board created  
21 in section 15.103.

22 2. "*City portion*" means a qualified census tract and all  
23 census tracts adjacent to the qualified census tract.

24 3. "*Commission*" means an enterprise zone housing commission  
25 established pursuant to section 15E.195.

26 4. "*Created job*" means the same as defined in section  
27 15G.101.

28 5. "*Department*" means the Iowa department of economic  
29 development created in section 15.105.

30 6. "*Eligible business*" means a business meeting the  
31 requirements of section 15E.193A.

32 7. "*Full-time equivalent position*" means the same as defined  
33 in section 15G.101.

34 8. "*Infilling*" means the demolition of a vacant, blighted,  
35 obsolete, or otherwise underutilized structure in a developed

1 area in order to build a new structure on the same site.

2 9. "*Maintenance period completion date*" means the same as  
3 defined in section 15G.101.

4 10. "*Qualified census tract*" means a census tract  
5 designated as a qualified census tract by the United States  
6 secretary of housing and urban development pursuant to section  
7 42(d)(5)(B)(ii) of the federal Internal Revenue Code.

8 11. "*Qualifying wage threshold*" means the same as defined  
9 in section 15G.101.

10 12. "*Retained job*" means the same as defined in section  
11 15G.101.

12 Sec. 4. Section 15E.193, Code 2011, is amended by striking  
13 the section and inserting in lieu thereof the following:

14 **15E.193 Enterprise zones.**

15 1. *a.* Each year prior to July 1, the department shall  
16 certify a list of enterprise zones. The list shall include all  
17 of the following:

18 (1) Counties that qualify pursuant to subsection 2.

19 (2) City portions that qualify pursuant to subsection 3.

20 (3) Counties that qualify for the special enterprise zone  
21 certification described in subsection 4.

22 (4) Expiring enterprise zones, as described in paragraph  
23 "*c*".

24 *b.* The list of enterprise zones certified pursuant to  
25 paragraph "*a*" shall be in effect from the July 1 following  
26 certification to the next June 30 after which time the next  
27 certified list shall be considered in effect.

28 *c.* (1) If a county or city portion that qualified under  
29 subsection 2, 3, or 4 at the prior annual certification fails  
30 to qualify under subsection 2, 3, or 4 at the subsequent annual  
31 certification, the county or city portion shall be considered  
32 an expiring enterprise zone. An enterprise zone shall be  
33 considered expiring until the end of the effective period for  
34 the annual certification at which the enterprise zone failed  
35 to qualify.

1 (2) If, at the end of the effective period, an expiring  
2 enterprise zone fails for a second consecutive annual  
3 certification to qualify for the certified list under  
4 subsection 2, 3, or 4, then the enterprise zone shall expire  
5 and shall not be included on the certified list of enterprise  
6 zones.

7 (3) Expiration of an enterprise zone does not preclude a  
8 county or city portion from requalifying as an enterprise zone  
9 under this subsection 1 if, at any point after expiration, the  
10 county or city portion is found to meet the requirements of  
11 subsection 2 or 3.

12 (4) For purposes of this paragraph "c", "effective period"  
13 means the period described in paragraph "b".

14 d. (1) As long as an enterprise zone remains on the list  
15 certified pursuant to subsection 1 or has not expired pursuant  
16 to paragraph "c", subparagraph (2), the county or city may  
17 confer the incentives and assistance available under sections  
18 15E.196 and 15E.197 to eligible businesses located within the  
19 enterprise zone.

20 (2) A county or city shall not confer new incentives and  
21 assistance or extend the time period of existing incentives and  
22 assistance once an enterprise zone has expired. However, this  
23 paragraph "d" shall not be construed to abrogate the terms of  
24 agreements providing incentives and assistance beyond the date  
25 of expiration of the enterprise zone as long as the benefits in  
26 such agreements were conferred prior to the expiration of the  
27 enterprise zone, and are otherwise valid.

28 2. a. A county shall be included on the certified list  
29 if it is ranked among the twenty-five poorest performing Iowa  
30 counties as measured by two or more of the following criteria:

31 (1) The most recent five-year average of the annual  
32 unemployment rate, as determined by the department of workforce  
33 development.

34 (2) The most recent five-year average of the county's  
35 annual average weekly wage, as determined by the department of

1 workforce development.

2 (3) The most recent five-year average of the annual  
3 population growth rate, as estimated by the United States  
4 census bureau.

5 (4) The most recent five-year average of the annual poverty  
6 rate, as estimated by the United States census bureau.

7 b. If a county qualifies as an enterprise zone, then each  
8 city, or part thereof, located in the county shall be included  
9 in the enterprise zone.

10 3. a. A city portion shall be included on the certified  
11 list if it contains a census tract that has been designated as  
12 a qualified census tract.

13 b. A city may contain more than one city portion certified  
14 as an enterprise zone pursuant to this section.

15 4. a. Notwithstanding the annual certification process  
16 described in subsection 1 and the county qualification  
17 requirements in subsection 2, the department may grant a  
18 special enterprise zone certification to any county that  
19 experiences a significant permanent reduction in employment.

20 b. A special enterprise zone certification granted pursuant  
21 to this subsection may be granted at a time other than the  
22 annual certification under subsection 1.

23 c. A special enterprise zone certification granted pursuant  
24 to this subsection shall be in effect for five years and shall  
25 commence from the date of the significant permanent reduction  
26 in employment. The department shall determine the date of  
27 commencement according to criteria adopted by rule pursuant to  
28 chapter 17A.

29 d. A business precipitating a significant permanent  
30 reduction in employment, or its successors in interest, shall  
31 not be eligible to receive the incentives and assistance  
32 otherwise available to businesses located in an enterprise  
33 zone.

34 e. For purposes of this subsection, "*significant permanent*  
35 *reduction in employment*" means the closing of, or a permanent

1 reduction in force by, a single nonretail business in which all  
2 of the following conditions exist:

3 (1) The closing or reduction in force involves the loss of  
4 nonseasonal full-time equivalent positions.

5 (2) The closing or reduction in force is due to the  
6 relocation of jobs to another state or a foreign country, the  
7 cessation of manufacturing activities in the state, the removal  
8 of industrial plant capacity, or any similar cause identified  
9 by the department as a primary contributing factor in the  
10 closing or reduction in force.

11 (3) The closing or reduction in force takes place on or  
12 after February 1, 2007.

13 (4) The closing or reduction in force amounts to the lesser  
14 of the following:

15 (a) One thousand full-time equivalent positions.

16 (b) Four percent or more of the county's labor force,  
17 as determined according to the most recent annual resident  
18 labor force statistics compiled by the department of workforce  
19 development.

20 Sec. 5. NEW SECTION. 15E.193A Eligible business.

21 1. A business that is or will be located in an enterprise  
22 zone certified pursuant to section 15E.193 is eligible to  
23 receive incentives and assistance pursuant to this division if  
24 the business meets all of the following requirements:

25 a. Has not closed or reduced operations in one area of the  
26 state and relocated substantially the same operations into the  
27 enterprise zone. This paragraph "a" shall not be construed  
28 to prohibit a business from expanding its operation in an  
29 enterprise zone if existing operations of a similar nature in  
30 this state are not closed or substantially reduced.

31 b. Is not a retail business or a business where entrance is  
32 limited by a cover charge or membership requirement.

33 c. Provides a sufficient package of benefits to each  
34 employee holding a created or retained job. The board, at the  
35 recommendation of the department, shall adopt rules determining

1 what constitutes a sufficient package of benefits.

2     *d.* Pays to each employee holding a created or retained job  
3 a wage that is at least ninety percent of the qualifying wage  
4 threshold.

5     *e.* Creates or retains at least ten full-time equivalent  
6 positions and maintains them until the maintenance period  
7 completion date.

8     2. A business meeting the requirements of subsection 1 shall  
9 submit to the department with its application for financial  
10 assistance a report describing all violations of environmental  
11 law or worker safety law within the last five years. If, upon  
12 review of the application, the board finds that the business  
13 has a record of violations of the law, statutes, rules, or  
14 regulations and such violations show a consistent pattern, the  
15 board shall not make an award of financial assistance to the  
16 business unless the board finds either that the violations  
17 did not seriously affect public health, public safety, or the  
18 environment, or, if such violations did seriously affect public  
19 health, public safety, or the environment, that mitigating  
20 circumstances were present.

21     3. An eligible business receiving incentives or assistance  
22 under this division shall enter into an agreement with the  
23 department and the city or county containing the certified  
24 enterprise zone. The agreement shall provide for the method  
25 of determining the amount of incentives and assistance to be  
26 provided under this division and shall stipulate the penalties  
27 for failure to comply with the requirements of subsection 1.

28     4. *a.* A business receiving financial assistance under this  
29 division shall comply with all applicable requirements for as  
30 long as the assistance is provided.

31     *b.* A business failing to comply with all applicable  
32 requirements shall not receive the incentives and assistance  
33 provided for in this division during the period of time the  
34 business is not in compliance.

35     *c.* At the department's discretion, a business failing

1 to comply with subsection 1 may be held liable for all or a  
2 portion of the incentives or assistance received under this  
3 division. The department of revenue may recover from such a  
4 business the value of the incentives and assistance provided  
5 by the state under section 15E.196, as well as any penalties  
6 and interest.

7 d. A city or county may recover from a business that fails  
8 to comply with the requirements of subsection 1 the value of  
9 all tax revenues foregone or not collected because of the  
10 provision of assistance under section 15E.196.

11 5. If a business that is approved to receive incentives  
12 or assistance under this division experiences a layoff within  
13 the state or closes any of its facilities within the state  
14 prior to receiving the incentives or assistance, the department  
15 may reduce or eliminate some or all of the incentives and  
16 assistance. If a business that has received incentives or  
17 assistance under this division experiences a layoff within the  
18 state or closes any of its facilities within the state, the  
19 business may be subject to recapture of all or a portion of the  
20 incentives that it has received.

21 6. An eligible business receiving incentives or assistance  
22 under this division shall only employ individuals legally  
23 authorized to work in this state. In addition to any other  
24 applicable penalties, the incentives and assistance, or a  
25 portion thereof, received by a business that is found to  
26 knowingly employ individuals not legally authorized to work in  
27 this state are subject to recapture by the department.

28 Sec. 6. Section 15E.193B, subsections 1 through 3, Code  
29 2011, are amended to read as follows:

30 1. A housing business qualifying under this section is  
31 eligible to receive incentives and assistance only as provided  
32 in this section. ~~An eligible housing business shall not~~  
33 ~~receive incentives or assistance for a home or multiple~~  
34 ~~dwelling unit built or rehabilitated in an enterprise zone~~  
35 ~~designated pursuant to section 15E.194, subsection 3 or 5.~~



1 Sections ~~15E.193~~ 15E.193A and 15E.196 do not apply to an  
2 eligible housing business qualifying under this section.

3 2. An eligible housing business under this section  
4 includes a housing developer, housing contractor, or nonprofit  
5 organization that builds or rehabilitates ~~a minimum~~ one or more  
6 of ~~four~~ the following:

7 a. Four single-family homes located in that part of a city  
8 or county in which there is a designated an enterprise zone or  
9 one.

10 b. One multiple dwelling unit building containing three or  
11 more individual dwelling units located in that part of a city  
12 or county in which there is a designated an enterprise zone.

13 c. One multiple dwelling unit building containing two  
14 or more individual units in the upper floors of a mixed use  
15 commercial building that is fifty years of age or older and  
16 located in an enterprise zone.

17 3. The single-family homes and dwelling units which are  
18 rehabilitated or constructed by the eligible housing business  
19 shall include the necessary amenities. When completed and made  
20 available for occupancy, the single-family homes and dwelling  
21 units shall meet ~~the United States department of housing and~~  
22 ~~urban development's housing quality standards and local~~ all  
23 applicable building code requirements and safety standards.

24 Sec. 7. Section 15E.193B, subsection 5, unnumbered  
25 paragraph 1, Code 2011, is amended to read as follows:

26 An eligible housing business shall provide the enterprise  
27 zone housing commission with all of the following information:

28 Sec. 8. Section 15E.193B, subsections 6, 8, and 9, Code  
29 2011, are amended to read as follows:

30 6. An eligible housing business ~~which~~ that has been approved  
31 by the department to receive incentives and assistance ~~by the~~  
32 ~~department of economic development pursuant to application as~~  
33 ~~provided in section 15E.195~~ shall receive all of the following  
34 incentives and assistance for a period not to exceed ~~ten~~ five  
35 years:

1     a. (1) An eligible housing business may claim a tax credit  
2 up to a maximum of ten percent of the new investment which  
3 is directly related to the building ~~or~~, rehabilitating, or  
4 infilling of a minimum of four any of the following:

5       (a) Four or more single-family homes located in that part of  
6 a city or county in which there is a designated an enterprise  
7 zone or one.

8       (b) One multiple dwelling unit building containing three or  
9 more individual dwelling units located in that part of a city  
10 or county in which there is a designated an enterprise zone.

11       (c) One multiple dwelling unit building containing two  
12 or more individual units in the upper floors of a mixed use  
13 commercial building that is fifty years of age or older and  
14 located in an enterprise zone.

15       (2) (a) The new investment that may be used to compute  
16 the tax credit shall not exceed the new investment used for  
17 the first one hundred forty thousand dollars of value for each  
18 single-family home or for each unit of a multiple dwelling unit  
19 building containing three or more units.

20       (b) If an eligible housing business is investing in a  
21 project involving infilling, the amount of the new investment  
22 that may be used to compute the tax credit shall not exceed the  
23 new investment used for the first one hundred fifty thousand  
24 dollars of value for each single-family home or for each unit  
25 of a multiple dwelling unit building that contains three or  
26 more units.

27       (3) The tax credit may be used to reduce the tax liability  
28 imposed under chapter 422, division II, III, or V, or chapter  
29 432. Any credit in excess of the tax liability for the tax  
30 year may be credited to the tax liability for the following  
31 seven years or until depleted, whichever occurs earlier. If  
32 the business is a partnership, S corporation, limited liability  
33 company, or estate or trust electing to have the income taxed  
34 directly to the individual, an individual may claim the tax  
35 credit allowed. The amount claimed by the individual shall be

1 based upon the pro rata share of the individual's earnings of  
2 the partnership, S corporation, limited liability company, or  
3 estate or trust except as allowed for under subsection 8 when  
4 low-income housing tax credits authorized under section 42 of  
5 the Internal Revenue Code are used to assist in the financing  
6 of the housing development.

7     **b.** Sales, services, and use tax refund for taxes paid by an  
8 eligible business including an eligible business acting as a  
9 contractor or subcontractor, as provided in section 15.331A.

10     8. a. The amount of the tax credits determined pursuant to  
11 subsection 6, paragraph "a", for each project shall be approved  
12 by the department of ~~economic development~~. The department  
13 shall utilize the financial information required to be provided  
14 under subsection 5, paragraph "e", to determine the tax credits  
15 allowed for each project. In determining the amount of tax  
16 credits to be allowed for a project, the department shall  
17 not include the portion of the project cost financed through  
18 federal, state, and local government tax credits, grants, and  
19 forgivable loans.

20     b. Upon approving the amount of the tax credit, the  
21 department of ~~economic development~~ shall issue a tax credit  
22 certificate to the eligible housing business except when  
23 low-income housing tax credits authorized under section 42 of  
24 the Internal Revenue Code are used to assist in the financing  
25 of the housing development in which case the tax credit  
26 certificate may be issued to a partner if the business is a  
27 partnership, a shareholder if the business is an S corporation,  
28 or a member if the business is a limited liability company  
29 in the amounts designated by the eligible partnership, S  
30 corporation, or limited liability company.

31     c. An eligible housing business or the designated partner  
32 if the business is a partnership, designated shareholder if  
33 the business is an S corporation, or designated member if the  
34 business is a limited liability company, or transferee shall  
35 not claim the tax credit unless a tax credit certificate is

1 attached to the taxpayer's return for the tax year for which  
2 the tax credit is claimed. The tax credit certificate shall  
3 contain the taxpayer's name, address, tax identification  
4 number, the amount of the tax credit, and other information  
5 required by the department of revenue. The tax credit  
6 certificate shall be transferable if the housing development  
7 is located in a brownfield site as defined in section 15.291,  
8 if the housing development is located in a blighted area as  
9 defined in section 403.17, or if low-income housing tax credits  
10 authorized under section 42 of the Internal Revenue Code are  
11 used to assist in the financing of the housing development.

12 d. Not more than three million dollars worth of tax credits  
13 for housing developments that are located in a brownfield  
14 site as defined in section 15.291 or housing developments  
15 located in a blighted area as defined in section 403.17  
16 shall be transferred in one calendar year. The three million  
17 dollar annual limit does not apply to tax credits awarded to  
18 an eligible housing business having low-income housing tax  
19 credits authorized under section 42 of the Internal Revenue  
20 Code to assist in the financing of the housing development.  
21 The department may approve an application for tax credit  
22 certificates for transfer from an eligible housing business  
23 located in a brownfield site as defined in section 15.291 or  
24 in a blighted area as defined in section 403.17 that would  
25 result in the issuance of more than three million dollars of  
26 tax credit certificates for transfer, provided the department,  
27 through negotiation with the eligible business, allocates  
28 those tax credit certificates for transfer over more than one  
29 calendar year.

30 e. The department shall not approve more than one million  
31 five hundred thousand dollars in tax credit certificates for  
32 transfer to any one eligible housing business located in a  
33 brownfield site as defined in section 15.291 or in a blighted  
34 area as defined in section 403.17 in a calendar year. If three  
35 million dollars in tax credit certificates for transfer have

1 not been issued at the end of a calendar year, the remaining  
2 tax credit certificates for transfer may be issued in advance  
3 to an eligible housing business scheduled to receive a tax  
4 credit certificate for transfer in a later calendar year.

5 f. Any time the department approves a tax credit certificate  
6 for transfer which has not been allocated at the end of  
7 a calendar year, the department may prorate the remaining  
8 certificates to more than one eligible applicant. If the  
9 entire three million dollars of tax credit certificates for  
10 transfer is not issued in a given calendar year, the remaining  
11 amount may be carried over to a succeeding calendar year. Tax  
12 credit certificates issued under this ~~chapter~~ section may be  
13 transferred to any person or entity.

14 g. The department of ~~economic development~~ shall notify the  
15 department of revenue of the tax credit certificates which have  
16 been approved for transfer.

17 h. Within ninety days of transfer, the transferee must  
18 submit the transferred tax credit certificate to the department  
19 of revenue along with a statement containing the transferee's  
20 name, tax identification number, and address, and the  
21 denomination that each replacement tax credit certificate is  
22 to carry and any other information required by the department  
23 of revenue.

24 i. Within thirty days of receiving the transferred tax  
25 credit certificate and the transferee's statement, the  
26 department of revenue shall issue one or more replacement  
27 tax credit certificates to the transferee. Each replacement  
28 certificate must contain the information required to receive  
29 the original certificate and must have the same expiration date  
30 that appeared in the transferred tax credit certificate.

31 j. Tax credit certificate amounts of less than the minimum  
32 amount established by rule of the department of economic  
33 development shall not be transferable.

34 k. A tax credit shall not be claimed by a transferee under  
35 subsection 6, paragraph "a", until a replacement tax credit

1 certificate identifying the transferee as the proper holder has  
2 been issued.

3     1. The transferee may use the amount of the tax credit  
4 transferred against the taxes imposed under chapter 422,  
5 divisions II, III, and V, and chapter 432 for any tax year the  
6 original transferor could have claimed the tax credit. Any  
7 consideration received for the transfer of the tax credit shall  
8 not be included as income under chapter 422, divisions II, III,  
9 and V. Any consideration paid for the transfer of the tax  
10 credit shall not be deducted from income under chapter 422,  
11 divisions II, III, and V.

12     9. The department of ~~economic development~~ and the  
13 department of revenue shall each adopt rules to ~~jointly~~  
14 ~~administer~~ for the joint administration of this section.

15     Sec. 9. Section 15E.195, Code 2011, is amended to read as  
16 follows:

17     **15E.195 Enterprise zone housing commission.**

18     1. a. A county ~~which designates~~ certified as an enterprise  
19 zone pursuant to section 15E.194, subsection 1 15E.193, and in  
20 ~~which an eligible enterprise zone is certified~~ shall establish  
21 an enterprise zone housing commission to ~~review applications~~  
22 ~~from qualified businesses located within or requesting to~~  
23 ~~locate within an enterprise zone designated pursuant to section~~  
24 ~~15E.194, subsection 1, to receive incentives or assistance as~~  
25 ~~provided in section 15E.196. The enterprise zone commission~~  
26 ~~shall also~~ review applications from qualified eligible housing  
27 businesses requesting to receive incentives or assistance as  
28 provided in section 15E.193B.

29     b. A county shall not establish more than one commission.

30     c. The commission established pursuant to this subsection  
31 shall not review applications from eligible housing businesses  
32 locating in an enterprise zone within a city that has  
33 established a commission pursuant to subsection 2.

34     d. The commission established pursuant to this  
35 subsection shall consist of ~~nine~~ three or more members who

1 are knowledgeable about local housing conditions. ~~Five of~~  
2 ~~these members shall consist of one representative of the~~  
3 ~~board of supervisors, one member with economic development~~  
4 ~~expertise chosen by the department of economic development,~~  
5 ~~one representative of the county zoning board, one member~~  
6 ~~of the local community college board of directors, and one~~  
7 ~~representative of the local workforce development center.~~  
8 ~~These five members shall select the remaining four members.~~  
9 ~~If the enterprise zone consists of an area meeting the~~  
10 ~~requirements for eligibility for an urban or rural enterprise~~  
11 ~~community under Tit. XIII of the federal Omnibus Budget~~  
12 ~~Reconciliation Act of 1993, one of the remaining four members~~  
13 ~~shall be a representative of that community. A county shall~~  
14 ~~have only one enterprise zone commission to review applications~~  
15 ~~for incentives and assistance for businesses located within~~  
16 ~~or requesting to locate within a certified enterprise zone~~  
17 ~~designated pursuant to section 15E.194, subsection 1.~~

18 2. a. ~~A city which includes at least three census tracts~~  
19 ~~with at least fifty percent of the population in each census~~  
20 ~~tract located in the city and which designates an enterprise~~  
21 ~~zone pursuant to section 15E.194, subsection 2 or 3, and in~~  
22 ~~which an eligible with a certified enterprise zone is certified~~  
23 ~~shall establish an enterprise zone housing commission to~~  
24 ~~review applications from qualified eligible housing businesses~~  
25 ~~located within or requesting to locate within an enterprise~~  
26 ~~zone to receive incentives or assistance as provided in~~  
27 ~~section 15E.196. The enterprise zone commission shall review~~  
28 ~~applications from qualified housing businesses requesting~~  
29 ~~to receive incentives or assistance as provided in section~~  
30 ~~15E.193B.~~

31 b. ~~The commission established pursuant to this subsection~~  
32 ~~shall consist of nine three or more members who are~~  
33 ~~knowledgeable about local housing conditions. Six of these~~  
34 ~~members shall consist of one representative of an international~~  
35 ~~labor organization, one member with economic development~~

1 ~~expertise chosen by the department of economic development, one~~  
2 ~~representative of the city council, one member of the local~~  
3 ~~community college board of directors, one member of the city~~  
4 ~~planning and zoning commission, and one representative of the~~  
5 ~~local workforce development center. These six members shall~~  
6 ~~select the remaining three members. If the enterprise zone~~  
7 ~~consists of an area meeting the requirements for eligibility~~  
8 ~~for an urban enterprise community under Tit. XIII of the~~  
9 ~~federal Omnibus Budget Reconciliation Act of 1993, one of the~~  
10 ~~remaining three members shall be a representative of that~~  
11 ~~community.~~

12 c. If a city contiguous to the city designating the  
13 enterprise zone is included in an enterprise zone, a  
14 representative of the contiguous city, chosen by the city  
15 council, shall be a member of the commission.

16 d. A city in which an eligible with a certified enterprise  
17 zone is ~~certified~~ shall have only one enterprise zone  
18 commission. If a city has established an enterprise zone  
19 commission prior to July 1, 1998, the city may petition to the  
20 department of economic development to change the structure of  
21 the existing commission.

22 3. a. The A commission established pursuant to this section  
23 may adopt more stringent requirements, ~~including requirements~~  
24 ~~related to compensation and benefits~~, for a business to be  
25 eligible for incentives or assistance than provided in sections  
26 ~~15E.193 and section 15E.193B.~~ The commission may develop as  
27 an additional requirement that preference in hiring be given  
28 to individuals who live within the enterprise zone. The  
29 commission shall work with the local workforce development  
30 center to determine the labor availability in the area.

31 b. The commission shall examine and evaluate building codes  
32 and zoning in the enterprise zone and make recommendations to  
33 the appropriate governing body in an effort to promote more  
34 affordable housing development.

35 4. If the enterprise zone commission determines that



1 a housing business qualifies and is eligible to receive  
2 incentives or assistance as provided in section 15E.193B  
3 ~~or 15E.196~~, the commission shall submit an application  
4 for incentives or assistance to the department of ~~economic~~  
5 ~~development~~. The department may approve, defer, or deny the  
6 application.

7 5. ~~a. In making its decision, the commission or department~~  
8 ~~shall consider the impact of the eligible business on other~~  
9 ~~businesses in competition with it and compare the compensation~~  
10 ~~package of businesses in competition with the business being~~  
11 ~~considered for incentives or assistance. The commission or~~  
12 ~~department shall make a good faith effort to identify existing~~  
13 ~~Iowa businesses within an industry in competition with the~~  
14 ~~business being considered for incentives or assistance. The~~  
15 ~~commission or department shall also make a good faith effort~~  
16 ~~to determine the probability that the proposed incentives or~~  
17 ~~assistance will displace employees of existing businesses. In~~  
18 ~~determining the impact on businesses in competition with the~~  
19 ~~business seeking incentives or assistance, jobs created as a~~  
20 ~~result of other jobs being displaced elsewhere in the state~~  
21 ~~shall not be considered direct jobs created.~~

22 ~~b. However, if~~ If the commission or department finds that  
23 an eligible housing business has a record of violations of the  
24 law, including but not limited to environmental and worker  
25 safety statutes, rules, and regulations, over a period of time  
26 that tends to show a consistent pattern, the eligible business  
27 shall not qualify for incentives or assistance under section  
28 15E.193B ~~or 15E.196~~, unless the ~~commission or~~ department  
29 finds that the violations did not seriously affect public  
30 health or safety or the environment, or if it did that there  
31 were mitigating circumstances. In making the findings and  
32 determinations regarding violations, mitigating circumstances,  
33 and whether an eligible housing business ~~is eligible~~ qualifies  
34 for incentives or assistance under section 15E.193B ~~or 15E.196~~,  
35 the ~~commission or~~ department shall be exempt from chapter 17A.

1 If requested by the commission or department, the housing  
2 business shall provide copies of materials documenting the type  
3 of violation, any fees or penalties assessed, court filings,  
4 final disposition of any findings, and any other information  
5 which would assist the commission or department in assessing  
6 the nature of any violation.

7 6. A housing business that is approved to receive incentives  
8 or assistance shall, for the ~~length of its designation as~~  
9 ~~an enterprise zone business~~ duration of its agreement with  
10 the department, certify annually to the county or city, as  
11 applicable, and the department ~~of economic development~~ its  
12 compliance with the requirements of this section ~~15E.193 or and~~  
13 section 15E.193B.

14 Sec. 10. Section 15E.196, Code 2011, is amended to read as  
15 follows:

16 **15E.196 ~~Incentives —~~ Eligible business — incentives and**  
17 **assistance.**

18 ~~For purposes of determining the incentives or assistance~~  
19 ~~provided in this section, “eligible business” means a business~~  
20 ~~which has been approved to receive incentives and assistance by~~  
21 ~~the department of economic development pursuant to application~~  
22 ~~as provided in section 15E.195. The incentives and assistance~~  
23 ~~provided under this division for businesses located in~~  
24 ~~enterprise zones shall be for a period not to exceed ten years~~  
25 ~~and shall include all of the following:~~

26 1. An eligible business that has been approved by the board  
27 pursuant to section 15E.193A, shall be eligible for all of the  
28 following incentives and assistance:

29 ~~1-~~ a. New jobs credit from withholding, as provided in  
30 section 15E.197.

31 ~~2-~~ b. Sales, services, and use tax refund, as provided in  
32 section 15.331A.

33 ~~3-~~ c. Investment tax credit of up to ten percent, as  
34 provided in section 15.333.

35 ~~4-~~ d. Research activities credit, as provided in section

1 15.335.

2 5. e. ~~The county or city for which an eligible enterprise~~  
3 ~~zone is certified may exempt from all property taxation A~~  
4 property tax exemption from the county or city portion in which  
5 the certified enterprise zone is located in an amount equal to  
6 all or a portion of the value added to the property upon which  
7 an eligible business locates or expands in an the enterprise  
8 zone and which is used in the operation of the eligible  
9 business.

10 (1) The amount of value added for purposes of this  
11 ~~subsection~~ paragraph "e" shall be the amount of the increase in  
12 assessed valuation of the property following the location or  
13 expansion of the business in the enterprise zone.

14 (2) If an exemption provided pursuant to this ~~subsection~~  
15 paragraph "e" is made applicable to only a portion of the  
16 property within an enterprise zone, the definition of that  
17 subset of eligible property must be by uniform criteria which  
18 further some planning objective established by the ~~city or~~  
19 ~~county enterprise zone commission and approved by the eligible~~  
20 city or county and approved by the department.

21 (3) The exemption may be allowed for a period not to exceed  
22 ~~ten~~ five years beginning the year the eligible business enters  
23 into an agreement with the county or city to locate or expand  
24 operations in an enterprise zone.

25 6. f. Insurance premium tax credit of up to ten percent,  
26 as provided in section 15.333A.

27 2. The amount of time an eligible business may receive  
28 incentives or assistance pursuant to this section is limited  
29 to five years.

30 Sec. 11. Section 15E.197, subsection 4, Code 2011, is  
31 amended to read as follows:

32 4. For purposes of this section, "*eligible business*" means  
33 a business which has been approved to receive incentives and  
34 assistance by the department of economic development pursuant  
35 to application as provided in section ~~15E.195~~ 15E.193A.

1     Sec. 12. NEW SECTION. 15E.198 **Expiration of enterprise**  
2 **zones — validity of existing agreements.**

3     1. All enterprise zones certified prior to July 1, 2011,  
4 shall expire on July 1, 2012.

5     2. No new agreement shall be entered into nor any new  
6 incentives or assistance conferred under this division to an  
7 eligible business located in an expired enterprise zone.

8     3. An agreement entered into and incentives or assistance  
9 conferred prior to the expiration of an enterprise zone under  
10 subsection 1 shall be valid until the date provided under such  
11 an agreement.

12    4. During the period beginning July 1, 2011, and ending June  
13 30, 2012, the provisions of sections 15E.191 through 15E.197,  
14 Code 2011, shall apply to enterprise zones certified prior to  
15 July 1, 2011.

16    Sec. 13. Section 15H.5, subsection 2, Code 2011, is amended  
17 to read as follows:

18    2. The Iowa summer youth corps program is established  
19 to provide meaningful summer enrichment programming to  
20 Iowa youth. The program shall be administered by the Iowa  
21 commission on volunteer service using a competitive grant  
22 process to implement projects in accordance with program  
23 requirements. The commission shall adopt administrative rules  
24 for the program, including but not limited to incentives, grant  
25 criteria, and grantee selection processes. A percentage of the  
26 grants shall be designated by the commission to address the  
27 needs of ~~city enterprise zones that meet the distress criteria~~  
28 ~~outlined in section 15E.194~~ city portions included on the list  
29 of certified enterprise zones pursuant to section 15E.193.

30    Sec. 14. Section 15H.5, subsection 5, paragraph c, Code  
31 2011, is amended to read as follows:

32    c. The commission shall give priority consideration to  
33 approving those projects that target communities that have  
34 disproportionately high rates of juvenile crime or low rates  
35 of high school graduation or that ~~have been designated as city~~

1 ~~enterprise zones that meet the distress criteria outlined in~~  
2 ~~section 15E.194~~ are located in city portions included on the  
3 list of certified enterprise zones pursuant to section 15E.193.

4 Sec. 15. REPEAL. Section 15E.194, Code 2011, is repealed.

5 Sec. 16. EMERGENCY RULES. The department of economic  
6 development may adopt emergency rules under section 17A.4,  
7 subsection 3, and section 17A.5, subsection 2, paragraph "b",  
8 to implement the provisions of this Act, and the rules shall  
9 be effective immediately upon filing unless a later date is  
10 specified in the rules. Any rules adopted in accordance with  
11 this section shall also be published as a notice of intended  
12 action as provided in section 17A.4.

13 EXPLANATION

14 This bill relates to the administration of the enterprise  
15 zones program by the department of economic development.

16 Currently, the entire enterprise zone program is subject to  
17 the maximum aggregate tax credit limitation in Code section  
18 15.119. The bill removes the housing-related tax credits  
19 available under the program from the limitation.

20 The bill changes the procedure used to certify enterprise  
21 zones. The bill provides that each year, prior to July 1, the  
22 economic development board shall certify a list of counties  
23 and city portions that qualify as enterprise zones under  
24 the program. The list also includes those enterprise zones  
25 considered to be expiring under conditions provided in the  
26 bill. The list of certified enterprise zones is in effect  
27 each year from July 1 to the next June 30. If a county or  
28 city portion that qualifies one year fails to qualify for the  
29 next certification period, the zone is an expiring enterprise  
30 zone, and the bill provides that the zone expires at the  
31 end of the next effective certification period. Expiration  
32 of an enterprise zone does not preclude a county or a city  
33 portion from requalifying at a later time. As long as an  
34 enterprise zone is on the certified list, or has not expired,  
35 the city or county may confer incentives and assistance under

1 the program to eligible businesses located in the enterprise  
2 zone. Incentives and assistance may not be provided after an  
3 enterprise zone has expired.

4 The bill provides that a county must be designated as an  
5 enterprise zone if it is ranked among the 25 poorest performing  
6 Iowa counties as measured by certain criteria including  
7 annual unemployment rate, annual average weekly wage, annual  
8 population growth rate, and annual poverty rate. If a county  
9 is certified as an enterprise zone, then all cities and  
10 portions thereof are also included within the enterprise zone.

11 A city portion must be included on the certified list if  
12 its qualified census tract has been designated as a qualified  
13 census tract for at least three years during the most recent  
14 five-year period. A city may have more than one city portion  
15 certified as an enterprise zone.

16 Regardless of the certification process and the normal  
17 eligibility requirements, the board may grant a special  
18 enterprise zone certification to any county that experiences  
19 a significant permanent reduction in employment, as defined  
20 in the bill. A special enterprise zone certification is  
21 in effect for five years commencing from the date of the  
22 significant permanent reduction in employment. The department  
23 must determine by rules the date of commencement. A business  
24 precipitating such a reduction in employment is not eligible  
25 for incentives and assistance under the ensuing enterprise zone  
26 certification.

27 The bill also provides new criteria for eligible businesses  
28 seeking assistance under the program. An eligible business  
29 must not have closed or reduced operations in one area of  
30 the state and relocated to the enterprise zone, must not  
31 be a retail business, must provide a sufficient package of  
32 benefits to its employees, must pay at least 90 percent of the  
33 qualifying wage threshold, and must create or retain at least  
34 10 full-time equivalent positions and maintain them for the  
35 period of time required by agreement with the department and

1 the city or county.

2 The bill makes certain changes to the eligibility of  
3 housing businesses for assistance under the program and to the  
4 computation of tax credits for investment in multiple dwelling  
5 unit buildings or four or more single-family homes located  
6 in an enterprise zone. First, an eligible housing business  
7 under the bill includes a business that builds one multiple  
8 dwelling unit building containing two or more individual units  
9 in the upper floors of a mixed use commercial building if the  
10 building is 50 years or older and located in an enterprise  
11 zone. Second, single-family homes and dwelling units must  
12 comply with all applicable building code requirements and  
13 safety standards. Finally, if an eligible housing business is  
14 investing in a project involving infilling, the amount of the  
15 new investment used to compute the credit amount cannot exceed  
16 the new investment used for the first \$150,000 of value for  
17 each applicable housing unit.

18 The bill eliminates local enterprise zone commissions  
19 except for certain enterprise zone housing commissions. The  
20 bill changes the membership of such commissions. The bill  
21 eliminates certain hiring requirements not applicable to  
22 housing businesses.

23 Current law provides that eligible businesses may receive  
24 incentives and assistance for up to 10 years. The bill  
25 provides that such incentives and assistance are limited to  
26 five years.

27 The bill provides that all enterprise zones in existence  
28 prior to July 1, 2011, expire on July 1, 2012. No new  
29 agreements may be entered into nor new incentives or assistance  
30 provided after that date to businesses located in such  
31 enterprise zones, although the bill does provide for the  
32 continuing validity of agreements entered into prior to the  
33 expiration date. The bill provides that the enterprise zone  
34 program in effect prior to the effective date of the bill shall  
35 continue to apply to enterprise zones certified prior to the

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1 effective date of the bill.

2     The bill allows the department to adopt emergency rules for

3 the implementation of the bill.